



Universal Service Administrative Company

Lori S. Terraciano
Associate Manager Universal Service Revenue Administration

September 12, 2001

Patrick D. Crocker
900 Comerica Bldg
Kalamazoo, MI 49007

Mr. Crocker

This letter is in response to the April 2001 FCC Form 499-A filings that were submitted for American Cyber Corp. (Filer 499 ID 819152), Inmark, Inc. (Filer 499 ID 814681), LoTel, Inc. (Filer 499 ID 819396), Protel Advantage, Inc. (Filer 499 ID 809181), and Coleman Enterprises, Inc. These filings reported zero revenue for all of these companies for the period of January - December 2000.

Attached to each 499-A filing for the above mentioned companies was an addendum that stated QAI, Inc. was required to file the 499-A filings for these companies and pay all universal service charges related to these filings. This is not true according to FCC Rules. Please see pages 4-7 of the Instructions to the Telecommunications Reporting Worksheet (attached). Each legal entity is required to file their own 499-A filing reporting their own revenue. QAI may have provided a service to these companies in the past, but they are not obligated to file 499 filings for any of their resellers.

In the addendum, it is pointed out the QAI has agreed to file 499 filings on behalf of these companies, as proven in their August 21, 2000 letter. This letter states that QAI will be filing the September 1, 2000 FCC Form 499-S on their behalf. There is no mention of any future filings, other than the September 1, 200 499-S. Therefore, all of the above mentioned companies are required to submit the April 1, 2001 FCC Form 499-A on their own behalf.

Not all companies are required to contribute directly to the Universal Service Fund. The following excerpts from the FCC's Form 499 Instructions on pages 5-7, will help to explain what companies are exempt from contributing to the Universal Service Fund.

Universal service exception for de minimis telecommunications providers

Section 54.708 of the Commission's rules states that telecommunications carriers and telecommunications providers are not required to contribute to the universal service support mechanisms for a given year if their contribution for that year is less than \$10,000.¹

¹ 47 C.F.R. § 54.708

Providers should complete the table contained in Figure 1 to determine whether they meet the de minimis standard. To complete Figure 1, potential filers must first complete block 4 of the Telecommunications Reporting Worksheet and enter the amounts from Line 420(d) and 420(e) in Figure 1. Telecommunications providers whose estimated contributions to universal service support mechanisms would be less than \$10,000 are considered de minimis for universal service contribution purposes and will not be required to contribute directly to universal service support mechanisms.

Exception for government, broadcasters, schools and libraries

Certain entities are explicitly exempted from contributing directly to the universal service support mechanisms and need not file this worksheet. Government entities that purchase telecommunications services in bulk on behalf of themselves, e.g., state networks for schools and libraries, are not required to file or contribute directly to universal service. Public safety and local governmental entities licensed under Subpart B of Part 90 of the Commission's rules are not required to file or contribute directly to universal service. Similarly, if an entity provides interstate telecommunications exclusively to public safety or government entities and does not offer services to others, that entity is not required to file or contribute directly to universal service. In addition, broadcasters, non-profit schools, non-profit libraries, non-profit colleges, non-profit universities, and non-profit health care providers are not required to file the worksheet or contribute directly to universal service.

Exception for systems integrators and self providers

Systems integrators that derive less than five percent of their systems integration revenues from the resale of telecommunications are not required to file or contribute directly to universal service. Systems integrators are providers of integrated packages of services and products that may include the provision of computer capabilities, interstate telecommunications services, remote data processing services, back-office data processing, management of customer relationships with underlying carriers and vendors, provision of telecommunications and computer equipment, equipment maintenance, help desk functions, and other services and products. Entities that provide services only to themselves or to commonly owned affiliates need not file.

Unless the above mentioned companies qualify for one of these exemptions, they will have a direct contribution obligation to USAC. Underlying carriers can not assume that responsibility on these companies behalf

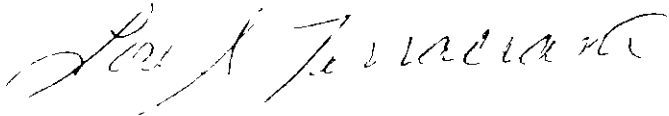
Please submit completed April 1, 2001 FCC form 499-A filings to the following address as soon as possible

Form 499- DCA
Attn: Lori S. Terraciano
80 S. Jefferson Rd
Whippany, NJ 07981

If you need help completing the 499A, please contact the Form 499 help line at 973-560-4460 or through e-mail at Form499@neca.org

I trust this information provides you with the background necessary to resolve your questions/concerns. Please contact the Form 499 help line at 973-560-4460 with any further questions.

Thank you

A handwritten signature in cursive script, appearing to read "Bill Davis".

cc Bill Davis (PWC)
Lisa Harter

Exhibit C

EXHIBIT C

QAI Contract with Petitioner

.

INDEPENDENT MARKETING AGREEMENT

This Independent Marketing Agreement ("**Agreement**") is made as of September ³⁰~~30~~, 1998 (the "**Effective Date**"), by and between QAI, Inc., a Minnesota corporation ("**QAI**") and Lotel, Inc., a Minnesota corporation ("**Marketer**").

A. QAI designs, markets and implements long distance network programs.

B. QAI and Marketer desire to enter into a relationship on the terms detailed in this Agreement pursuant to which QAI will provide long-distance telecommunications products to Marketer's Customers and related services to Marketer.

Therefore, in consideration of the foregoing premises and the covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, QAI and Marketer agree as follows:

1. MARKETING AND SALE

(a) Marketing. QAI grants to Marketer and Marketer accepts the non-transferable, non-exclusive right to market the products and services of QAI described on Schedule 1 (the "**Products**") to appropriate persons and entities throughout the United States. Marketer may not change the Products in any way for any Customer (defined below). QAI may change the Products from time to time in its discretion, and may, in its discretion, choose any long distance carrier (the "**Carrier**") as the underlying provider of Products and purchase those Products directly from the Carrier or otherwise. QAI reserves the right, in its reasonable judgment, to change a Customer's Products based upon competitive pressures, volume, service provided and other similar criteria and may make any additional modifications with respect to a Customer as it deems necessary or desirable to ensure competitiveness, efficiency, economic viability, or Customer satisfaction. Marketer shall have no exclusive or protected territories, customers, Products, or other exclusivity rights hereunder.

(b) Customers. Each party solicited by Marketer to purchase the Products will be deemed a "**Customer**" of Marketer when the Customer has elected to purchase the Products. A Customer's service order is "**Provisioned**" when accepted by QAI in its discretion, provided that provisioning may also be subject to acceptance of the Customer by the applicable Carrier, in its discretion. Customers of Marketer and customers of QAI or other marketing agents of QAI that have been Provisioned by QAI are referred to herein collectively as "**Clients**."

(c) Prohibited Marketer Activities.

(i) Marketer shall not at any time during or after the term of this Agreement (A) transfer or convert or attempt to transfer or convert any Client from use of the Products or other products or services provided by QAI, (B) utilize any Client list or any information relating to Clients for any reason other than performance hereunder, (C) market or sell to Clients any services or products of any party other than QAI at any time that such

Clients are doing any business with QAI, or (D) market QAI Products to Clients other than Customers.

(ii) Marketer shall not at any time during the term of this Agreement and for a period of three (3) years thereafter, directly or indirectly (A) induce or attempt to influence any vendor, marketing agent, potential client with which QAI or any of QAI's marketing agents has had substantive discussions regarding provision by QAI of long distance telecommunications services, or other business related contact of QAI (collectively, the "QAI Affiliates") to terminate its relationship with QAI, or (B) establish any business relationship with any QAI Affiliate concerning the design, marketing, operation, provision or implementation of any long distance telecommunications product or service.

(d) Marketer's Use of Sub-Contractors or Agents. Marketer shall have no right or authority to establish or utilize agents, subcontractors, multi-level marketing/sales arrangements or any other indirect marketing arrangements in connection with Marketer's performance hereunder, except that Marketer may utilize sub-contractors that are direct contracting parties with Marketer and thus are "one-level down" from Marketer in Marketer's structure to assist Marketer in performing hereunder, provided that Marketer will remain responsible for all obligations hereunder delegated to a sub-contractor and for all actions by its sub-contractors, and provided further that Marketer shall promptly disclose to QAI the identity of any sub-contractor and the nature of the sub-contractor's duties, shall provide to QAI copies of all contracts or other agreements between Marketer and any subcontractor, shall obtain QAI's prior written consent to the sub-contractor arrangement, which consent can be withheld or withdrawn at any time, and shall require such sub-contractor to comply with the terms of this Agreement. Marketer shall have no rights or remedies, nor shall it bring any claims, against QAI arising out of or relating to Marketer's utilization of any sub-contractor or agent.

2. COMPENSATION, ADVANCES AND PAYMENTS

(a) Margins. Margins in respect of each Customer, defined in Schedule 2, belong to Marketer and will be paid by QAI to Marketer as provided in this Agreement and in Schedule 2. QAI makes no guarantees or assurances to Marketer of Marketer's earnings hereunder and Marketer's right to Margins will cease as provided in Section 2(d) and Section 5(c). Except for payment of Margins and any other payments specifically provided for in this Agreement, QAI will have no obligations to make any payments to Marketer under this Agreement, reimburse Marketer for any expenses, cover any of Marketer's costs, or provide any support or benefits to Marketer. If Margins for any given calendar month are negative, QAI will not make any claim against Marketer for any cash payment in respect of such negative amount, but such negative amount may be applied by QAI to offset any Margins or other payments presently due or to be due in the future to Marketer.

(b) Advances. QAI may, in its sole discretion and from time to time, make advances to Marketer in respect of Margins that may become payable by QAI to Marketer ("Advances"). Advances shall be repayable by Marketer to QAI on demand, and shall bear interest at a floating

rate equal to the Wall Street Journal Prime Rate from time to time plus 1.5% or, if lower, the maximum interest rate permitted by law. QAI may in its discretion withhold and offset any Margins or other payments due to Marketer from QAI against amounts owing by Marketer to QAI in respect of Advances, including interest due thereon. If QAI purchases from Marketer the Margin rights for all Customers pursuant to Section 2(d) and the outstanding Advances to Marketer and interest thereon exceed the price payable by QAI under Section 2(d), QAI will not make any claim against Marketer for any cash payment in respect of such excess but such excess may be applied by QAI to offset other obligations of QAI to Marketer.

(c) Note and Security Agreement. As a condition to Advances, QAI may in its discretion require Marketer to execute and deliver to QAI a promissory note and security agreement in a form satisfactory to QAI, granting to QAI, among other things, a security interest in Marketer's tangible assets, its rights to Margins and any other payments hereunder, its accounts receivable, its rights to its Customer relationships and contracts and its rights to relationships and contracts with other customers.

(d) Margin Buyout. QAI may at any time and from time to time during the term of this Agreement and thereafter in its discretion, upon notice to Marketer, purchase from Marketer any or all rights of Marketer to receive Margins hereunder and any other payments in respect of Products provided to Customers ("Margin Buyout"). Such right may be exercised on a Customer-by-Customer basis, or for all Customers of Marketer at the time of such exercise. If QAI exercises the right on a Customer-by-Customer basis, the purchase price payable by QAI for Margin Buyout in respect of a Customer will be six times the average monthly Margins attributable to that Customer for the most recent three complete calendar months preceding exercise (or such fewer number of complete months for which Margins have been payable). If QAI exercises the right for all Customers, the purchase price payable by QAI will be six times an amount equal to the quotient obtained by dividing all Margins payable to Marketer for the most recent three complete calendar months preceding exercise, other than Margins payable in respect of Customers whose Margin rights have already been purchased by QAI or who have ceased purchasing from QAI products marketed to them by Marketer, by three (3). Any Margin Buyout purchase price will be paid in three (3) equal installments, with the first installment payable on the date of exercise and the next two installments payable 30 and 60 days thereafter, respectively, provided that QAI may, in its discretion, make all three installments in a single lump sum discounted to present value at a discount rate of ten percent (10%). Following exercise by QAI of its rights under this Section 2(d), QAI shall remain responsible for billing and collections with respect to each such Customer and shall become immediately responsible for all customer service to each such Customer, and Marketer shall retain its regulatory certifications required in connection with provision of long distance services to each such Customer and remain responsible for all of its other obligations under this Agreement, including legal and regulatory compliance. QAI may require Marketer to execute any documents reasonably necessary or appropriate to effect or document QAI's exercise of its Margin Buyout rights and the commensurate transfer of rights to QAI.

(e) Offset. QAI has the right, without giving notice to Marketer, to withhold and offset any Margins or other payments due to Marketer from QAI against any amounts owing by Marketer to QAI.

3. PROCEDURES

(a) Certain Rights and Responsibilities of Marketer

(i) Right of First Refusal. During the term of this Agreement, if Marketer solicits or plans to solicit any potential customers to be provisioned for telecommunications products or services by any party other than QAI, Marketer shall inform QAI in writing of the identities of the other party and the potential customers and the compensation (including advances and commissions or margins) potentially payable by such other party to Marketer in respect thereof, and if QAI offers to substantially match the overall compensation offered to Marketer by such third party, then Marketer shall solicit such potential customers on behalf of QAI and offer their accounts for Provisioning to QAI pursuant to this Agreement, including QAI's exclusive right to provide services as described herein, regardless of whether QAI matches the products or services offered by the other party.

(ii) Best Efforts Marketing. Marketer will represent the Products only in a manner consistent with information received from QAI, and will use its best efforts to market, promote and sell the Products in accordance with normal business procedures and practices in the industry.

(iii) Cooperation. During and after the term of this Agreement, Marketer will cooperate fully with QAI in its efforts to Provision Customers' service orders, bill and collect Customer debt and provide customer service to Customers, including but not limited to immediately notifying QAI in the event that Marketer is unable to address any Customer's concerns regarding quality of service, authority to provide service, billing or collections. Marketer will not retain any third party to perform any of the services that QAI is to perform under this Agreement.

(iv) Transmittal. During the term of this Agreement, Marketer will promptly present to QAI all potential Customers in a manner and form specified by QAI for QAI's approval and acceptance along with any Customer information and documentation specified by QAI. Marketer is responsible for the accuracy and completeness of all information provided on all QAI forms and documents.

(v) Tariff and Regulatory Compliance. During and after the term of this Agreement, (A) for purposes of any state, federal or other regulatory body applicable to Marketer or the Services (as defined below) or Marketer's provision thereof (any such body, a "PUC"), including the Federal Communications Commission, Marketer is the long distance provider to all of its Customers, including Customers for which QAI has exercised its right to acquire Margin rights pursuant to Section 2(d); (B) Marketer is solely responsible for obtaining and maintaining compliance with all statutes, rules, regulations, orders and other directives issued by any PUC, including the proper establishment of Marketer's rates and fees as such rates and fees are prescribed in this Agreement ("**Tariffs**"),

as the long distance provider to Customers, including Customers for which QAI has exercised its right to acquire Margin rights pursuant to Section 2(d), and Marketer is solely responsible for compliance of its Tariffs with applicable PUC requirements; and (C) Marketer will maintain all records required by applicable statute, rule or regulation to be kept by Marketer for such period of time as is required by such statute, rule or regulation, and make those records available to QAI upon its request.(vi) Services Provided by Marketer. During the term of the Agreement, Marketer will perform the services described in Schedule 3 (the "Services") to the best of its abilities and will not violate any laws or regulations during its performance of the Services. Marketer will be solely responsible for ensuring that its operations comply with all legal and regulatory requirements.

(vii) Limitations on Use of Certifications. In the event that Marketer obtains from a PUC any certification or other license or permit to provide any of the Services (a "Certification") after the Effective Date, or in the event that QAI has made an Advance or loaned any other monies to Marketer which remain outstanding at the time that Marketer obtains a Certification, or in the event Marketer uses a Certification obtained prior to the Effective Date in connection with provision of the Services after the Effective Date, Marketer shall not use such Certification other than in connection with performance under this Agreement.

(viii) Rights with Respect to Certifications.

(a) In the event that Marketer is unable to repay an Advance or any other monies owed by Marketer to QAI in accordance with the terms of this Agreement or any other agreement between Marketer and QAI (collectively, "Marketer Indebtedness"), QAI may at any time that such Marketer Indebtedness remains due and outstanding require Marketer to transfer all of Marketer's Certifications and all associated rights to QAI, and if such transfer is made, then thereafter QAI shall not make any claim against Marketer for cash payment by Marketer to QAI in respect of the Marketer Indebtedness, provided that QAI shall retain the right to recover any Marketer Indebtedness through offset by QAI of any obligations of QAI to Marketer against such Marketer Indebtedness.

(b) In the event that there is a change of control of Marketer or if Marketer should cease to operate its business for any reason whatsoever, QAI shall have the right to purchase all of Marketer's Certifications at a price of \$1,000 per Certification. For these purposes, "change of control" means (i) sale or other transfer of all or substantially all of the assets of Marketer, (ii) sale or other transfer of any assets of Marketer used by Marketer primarily in performance under this agreement, other than transfers of obsolete assets or other transfers in the ordinary course of business, or (iii) the acquisition by any person, entity, or group of persons or entities, after the Effective Date, of more than half of the voting power or equity interest in Marketer.

(c) In the event QAI exercises its rights with respect to the Certifications as described in (a) or (b) above Marketer shall use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to cause the transfer of the Certifications and all associated rights to QAI.

(viii) Quarterly Reports. During the term of this Agreement, Marketer shall provide to QAI within 30 days of the end of each calendar quarter a quarterly report in a form reasonably requested by QAI, including a report substantially in the form of Exhibit B hereto, such report to include, among other items, information regarding all persons and entities to whom or which Marketer sells telecommunications products or services of any kind, aside from QAI Products, together with information on such products and services sold by Marketer to any Customer and any other purchaser of any telecommunications services from Marketer. QAI shall also have the right to request and receive a quarterly balance sheet and income statement from Marketer within 30 days of the end of each calendar quarter.

(b) Certain Rights and Responsibilities of QAI.

(i) Best Efforts Provisioning. QAI will use its best efforts to ensure the timely Provisioning of Customers' service orders. However, QAI may, without penalty or payment, accept or reject any Customer or potential Customer, and may terminate service to any Customer, at any time, in its discretion.

(ii) Billing, Collections and Customer Service. During and after the term of this Agreement, subject to Section 3(b)(i), QAI will serve as Marketer's exclusive billing and collection agent with respect to Customers of Marketer, having the sole right and responsibility to bill and collect from those Customers. During the term of this Agreement, QAI shall have the right to oversee and control Marketer's provision of customer service to its Customers and the right to take over the provision of customer service to any or all of Marketer's Customers if QAI determines, in its reasonable discretion, that Marketer is unable to perform customer service effectively. If QAI exercises its right to take over the provision of customer service to any or all of Marketer's Customers, with respect to such Customers, QAI shall thereafter serve as Marketer's exclusive customer service agent having the sole right to provide customer service to such Customers during and after the term of this Agreement and QAI's customer service costs shall be an "allocable charge" for Margin calculation purposes. QAI may, in its sole discretion, make provisions for another entity or entities to bill, collect from or provide customer service to the Customers on its behalf.

(iii) QAI Reports. QAI will supply Marketer on a timely basis with standard QAI reports to track revenue associated with Customers placed with QAI by Marketer.

4. CONFIDENTIALITY

Marketer acknowledges that during the course of its relationship with QAI, Marketer will obtain information regarding QAI's business and will have personal contact with QAI's current Clients and QAI Affiliates. In addition to the restrictions set forth in Section 1(c), Marketer will not during the term of this Agreement and indefinitely thereafter, disclose to any third party or use for any purpose other than performance hereunder any Proprietary Information. For purposes of this Section 4 and Section 5(b), "Proprietary Information" means any information about the business or operations of QAI including, but not limited to, QAI Affiliates, QAI's current and past Clients, products and services, pricing schedules, discount policies, market and sales strategies, any information or compilation of information possessed by QAI which derives independent economic value, whether actual or potential, from not being generally known or readily ascertainable by proper means to other persons, including computer programs, operating instructions, source documents and data, mailing lists, the nature of the Services, and any other know-how or thing, either tangible or intangible, that is not information generally available to the public. "Proprietary Information" also includes this Agreement, the terms of which will be kept strictly confidential by Marketer.

5. TERM

(a) Termination. This Agreement will terminate:

- (i) If either party commits a material breach of this Agreement, the material breach is not cured within thirty (30) days of the date the breaching party is given notice of its material breach, and the non-breaching party elects to terminate this Agreement;
- (ii) If either party shall cease to do business; provided, however, that the obligations of both parties to perform according to the terms and conditions of this Agreement, including QAI's obligation to pay Margins to Marketer for Customers Provisioned prior to the cessation of business by either QAI or Marketer, shall continue until any such obligations have been fully performed;
- (iii) Upon the dissolution, liquidation or bankruptcy of either QAI or Marketer;
- (iv) Upon the insolvency of either QAI or Marketer;
- (v) On the date five (5) years from the Effective Date (the "**Termination Date**");
- (vi) In QAI's sole discretion, upon purchase by QAI of all Margin rights pursuant to Section 2(d);
- (vii) In QAI's sole discretion, if Marketer's average monthly Retail Billing Collections for any period of three (3) consecutive calendar months is below \$300,000;

(viii) In QAI's sole discretion and for cause, without an opportunity to cure, if Marketer breaches Section 1(c) or Section 4; or

(ix) In QAI's sole discretion, without an opportunity to cure, if Marketer's Customers' collective Bad Debt for any period of three (3) consecutive calendar months exceeds ten percent (10%) of the total accounts receivable associated with Marketer's Customers for Products provided by QAI hereunder for that same three (3) month period. For purposes of this Section 5(a)(ix), "Bad Debt" is defined as those accounts receivable associated with Marketer's Customers for Products provided by QAI hereunder that are uncollected for any reason, including theft of Products or fraud, after 120 days from the date that billing was processed and sent to the Customer or a LEC clearinghouse.

Either party may waive or forbear enforcement of this Section 5(a) in any particular instance, and no such waiver or forbearance will constitute a waiver or forbearance applicable either in general or to any other particular instance.

(b) Proprietary Information. Upon termination of this Agreement for any reason, Marketer shall return all Proprietary Information, including documents, encoded media or other tangible items provided to Marketer by QAI, including all complete and partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such information, which are exclusively the property of QAI.

(c) Margins. Subject to Section 2(d), QAI will continue to pay any Margins to Marketer in respect of each Customer for up to three years after termination of this Agreement as long as QAI receives Retail Billing Collections (as defined in Schedule 2) from such Customer for Products marketed by Marketer. However, QAI may reduce Margins payable to 50% of the rate otherwise specified herein if Marketer is no longer providing any Services under this Agreement and QAI may stop paying Margins if QAI has terminated this Agreement pursuant to Section 5(a)(i), Section 5(a)(viii), or Section 5(a)(ix). Further, where this Agreement is terminated pursuant to Section 5(a)(viii), QAI may recover (directly or through offset), with respect to any Customer Marketer causes, directly or indirectly, to switch in whole or in part to the products or services of a QAI competitor or to which Marketer sells any services or products of any party other than QAI, any Margins paid to Marketer with respect to such Customer for the three (3) month period prior to QAI's loss of such Customer.

(d) Effect of Termination. Termination of this Agreement will not terminate QAI's exclusive right to provide to Customers the long-distance telecommunications and services described herein, and to provide to Marketer the billing, collection, customer service and support services described herein. In addition, terms and provisions in this Agreement that by their sense and context are intended to survive the completion of performance or termination of this Agreement, including without limitation the provisions of Section 3(a)(vii) and (viii), Section 4, Section 5 and Section 6, shall so survive.

6. INDEMNITY

Each party hereto (as "Indemnitor") will indemnify, defend and hold harmless the other party, persons and entities controlling, controlled by, or under common control with the other party, and the officers, directors, employees and agents of any of them (each an "Indemnatee") from and against any and all claims, demands, suits, actions or proceedings (including administrative, regulatory, governmental, civil or criminal proceedings), liabilities, losses, damages, costs, assessments or payments incurred by Indemnatee arising out of or relating to (i) any breach of or default under this Agreement by Indemnitor or its agents, subcontractors, or other delegees, or (ii) the conduct of business or other activities by Indemnitor or its agents, subcontractors, or other delegees. Indemnitor agrees to reimburse Indemnatee for all reasonable costs and expenses (including attorneys' fees) incurred by Indemnatee due to Indemnatee's direct participation (either as a party or witness) in any administrative, regulatory, governmental, civil or criminal proceeding concerning Indemnitor.

Marketer will indemnify, defend and hold harmless QAI, persons and entities controlling, controlled by, or under common control with QAI, and the officers, directors, employees and agents of QAI (each a "QAI Indemnatee") from and against any and all claims, demands, suits, actions or proceedings (including administrative, regulatory, governmental, civil or criminal proceedings), liabilities, losses, damages, costs, assessments or payments incurred any QAI Indemnatee arising out of or relating to any sub-contractor or agency agreement entered into pursuant to Section 1(d). Marketer agrees to reimburse such QAI Indemnatee for all reasonable costs and expenses (including attorneys' fees) incurred by such QAI Indemnatee due to such QAI Indemnatee's direct participation (either as a party or witness) in any administrative, regulatory, governmental, civil or criminal proceeding concerning Marketer or Marketer's sub-contractor or agent.

7. MISCELLANEOUS

(a) Relationship of Parties. Marketer is acting as an independent contractor under this Agreement and not as an employee or agent of QAI. As an independent contractor, Marketer shall have no authority, express or implied, to commit or obligate QAI in any manner whatsoever, except as specifically authorized from time to time in writing by an authorized representative of QAI. Marketer will not purport to obligate QAI to any Customers or other third parties in any way. Nothing contained in this Agreement shall be construed or applied to create a partnership or joint venture, or an employer/employee or master/servant relationship. Marketer will be responsible for the payment of all federal, state or local taxes payable with respect to all amounts paid to Marketer under this Agreement and all costs associated with employment and retention of Marketer's employees and consultants, who shall not be employees or consultants of QAI; provided that, if QAI is determined to be liable for collection or remittance of any such taxes or costs, Marketer will immediately reimburse QAI for all such payments made by QAI. The sole consideration payable to Marketer hereunder is the payment of Margins and Marketer is not entitled to or eligible for any employment or other rights or benefits from QAI except as may be provided by separate written agreement.

(b) No Conflict or Violation. Marketer represents and warrants to QAI that the execution, delivery and performance by Marketer of this Agreement does not and will not: (i) violate or conflict with any provision of the charter documents of Marketer; (ii) violate any provision of law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any court, arbitrator, or other governmental or regulatory authority applicable to Marketer; or (iii) violate, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, service or other customer agreement or other agreement to which Marketer is a party.

(c) No Lien or Security Interest on Customer Contracts or Other Assets. Marketer represents and warrants to QAI that it owns and will own all of its contracts, relationships and accounts with its customer base, free and clear of any lien, security interest, charge or encumbrance, except for any security interest contemplated by this Agreement and any documents relating to such a security interest. There is and will be no lien, security interest, charge or encumbrance affecting Marketer's ownership of other Marketer assets, and no financing statement or other instrument similar in effect covering all or any part of such contracts, relationships or accounts has been or will be delivered or filed in any recording office, except such as may be filed in favor of QAI.

(d) Use of Names, Logos and Marks. Marketer shall not use the names, logos or marks of QAI, except as specifically provided herein, without the prior express written consent of QAI. Marketer shall not use the names, logos or marks of any Carrier without the prior express written consent of the Carrier.

(e) Insurance. At the time of execution of this Agreement and at QAI's request, at any time during the term of this Agreement, Marketer shall provide QAI with evidence reasonably satisfactory to QAI that Marketer maintains general liability and errors and omissions insurance coverage in amounts not less than \$1,000,000 for each area of coverage.

(f) Entire Agreement. This Agreement, together with any schedules and the exhibits hereto, represents the entire agreement and understanding of the parties with respect to the subject matter hereof and no representations or warranties or promises have been made in connection with this Agreement other than those expressly set forth herein.

(g) Successors and Assigns; No Third Party Beneficiaries. This Agreement will inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns; provided, that neither party may assign or delegate any of the obligations created under this Agreement without the prior written consent of the other parties. Notwithstanding the foregoing, QAI will have the unrestricted right to assign this Agreement and/or to delegate all or any part of its obligation hereunder to any person or entity controlling, controlled by, or under common control with QAI or to any lender in connection with any financing or to any successor to or assignee of all or substantially all of the business or assets of QAI. Except as provided in Section 6, nothing in this Agreement will confer upon any person or entity not a party to this Agreement, or the legal representatives of such person or entity, including any Customer, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

(h) Attorney's Fees. If either party to this Agreement brings any action, suit, counterclaim, appeal, arbitration, mediation or other proceeding (an "Action") for any relief against the other party to this Agreement or any of its affiliates, declaratory or otherwise, to enforce the terms hereof or to declare the rights hereunder, in addition to any damages and costs which the prevailing party otherwise would be entitled, the non-prevailing party in any Action shall pay the prevailing party a reasonable sum for ordinary and necessary attorneys' fees and costs incurred in connection with such Action and/or enforcing any judgment, order, ruling or award granted therein.

(i) Notice. All notices, requests, waivers, demands, instructions and other communications required or permitted to be given or made under this Agreement shall be effected by personal delivery, by United States mail, registered or certified, postage prepaid with return receipt requested, by overnight mail or by facsimile. Mailed communications shall be addressed to the recipient at the address designated below or such other address as may be designated by the recipient in writing from time to time. Facsimile communications shall be sent to the facsimile numbers below. Notices delivered personally shall be deemed communicated as of the date of delivery. Mailed notices shall be deemed communicated as of the date three days after the date the notice is mailed. Notices delivered by facsimile shall be deemed communicated when receipt is confirmed.

If to QAI:

QAI, Inc.
c/o Pathfinder Communications, Inc.
7700 Irvine Center Drive, Suite 605
Irvine, CA 92618
Attention: Chief Executive Officer
Facsimile number: (949) 453-3320
Phone number: (949) 453-3313

If to Marketer:

Lotel, Inc.
8120 Penn Ave. So. Suite # 159
Bloomington, MN 55431
Attention: Leon L. Oistad
Facsimile number: 612-881-9302
Phone number: 612-881-9408

(j) Amendments and Modifications. No amendment, modification or supplement to this Agreement shall be binding unless it is executed in writing and signed by both parties to this Agreement at the time of the amendment, modification or supplement.

(k) Governing Law. The validity, interpretation and enforcement of this Agreement and the rights of the parties thereto shall be determined under, governed by, and construed in accordance with the laws of the State of California, without regard to the principles of conflict of laws of the State of California or any other jurisdiction that would call for the application of the law of any jurisdiction other than the State of California.

(l) Consent to Jurisdiction and Forum Selection. All actions or proceedings arising in connection with this Agreement shall be tried and litigated exclusively in the State and Federal courts located in the County of Orange, State of California, unless such actions or proceedings are required to be brought in another court to obtain subject matter jurisdiction over the matter in controversy. The aforementioned choice of venue is intended by the parties to be mandatory and not permissive in nature, thereby precluding the possibility of litigation between the parties with respect to or arising out of this Agreement in any jurisdiction other than that specified in this paragraph. Each party hereby waives any right it may have to assert the doctrine of *forum non conveniens* or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this paragraph, and stipulates that the State and Federal courts located in the County of Orange, State of California, shall have *in personam* jurisdiction and venue over each of them for the purpose of litigating any dispute, controversy or proceeding arising out of or relating to this Agreement. Each party hereby authorizes and accepts service of process against it as contemplated by this paragraph by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices as set forth in Section 7(i).

(m) Interpretation and Construction. Headings herein are for convenience of reference and will not affect the meaning or interpretation hereto. References herein to Sections, Schedules and Exhibits are to the referenced Section, Schedule or Exhibit hereof or hereto unless otherwise specifically noted. No rule of construction requiring interpretation against the drafting party hereof shall apply in the interpretation of this Agreement, which was carefully reviewed by both parties to the Agreement.

(n) Severability. This Agreement will be deemed severable, and the invalidity or unenforceability of any term or provision hereof will not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties to this Agreement intend that there will be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

(o) Counterparts. This Agreement may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same document.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the Effective Date.

"QAI"

QAI, Inc., a Minnesota Corporation

By: 

Name: Dave Wiegand

Title: CEO

"MARKETER"

Lotel, Inc., a Minnesota corporation

By: 

Name: Leon L. Oistad

Title: President

SCHEDULE 1 TO INDEPENDENT MARKETING AGREEMENT:**PRODUCTS**

***Rate.....\$0.25/minute anywhere in the US and Canada**

***\$2.50 monthly Service Fee / Usage Charge for Customers who use less than
\$25.00/month in Long Distance**

***International Rates can be supplied by QAI**

**Subject to change by QAI at QAI's discretion. QAI may choose any Carrier as the underlying provider of
Products.*

SCHEDULE 2 TO INDEPENDENT MARKETING AGREEMENT:**MARGINS**

Margins shall be calculated and paid in the following manner:

1. Calculation of Margins

a) **"Margin"** of a Marketer means the difference between "Retail Billing Collections" for that Marketer's Customers for a calendar month for Products marketed by Marketer and the "Allocable Charges" allocated to that Marketer's Customers for that calendar month.

b) **"Retail Billing Collections"** means actual receipts by QAI from a Customer of payments in respect of Long Distance usage provided by QAI in a particular calendar month, not including any utility taxes, monthly recurring charges, directory assistance, and/or other non-usage based charges.

c) **"Allocable Charges"** means all expenses accrued by QAI for a particular calendar month and attributable to Customers, including, but not limited to, wholesale long distance usage, any customer service costs, billing costs, bad debt, collection costs, verification costs, customer credits, primary interexchange carrier ("PIC") dispute charges, NECA charges and any other costs and charges allocable to Customers, plus a management fee of fourteen percent (14%) of Retail Billing Collections for Customers.

2. Payment of Margins. QAI will pay Marketer the Margins for each calendar month within thirty (30) days of collecting substantially all (at least 90%) of the accounts receivable attributable to Long Distance usage by Marketer's Customers during that calendar month, subject to offset as provided in the Agreement.

SCHEDULE 3 TO INDEPENDENT MARKETING AGREEMENT:**MARKETING SERVICES PROVIDED TO QAI**

Telemarketing services for the purpose of acquiring telephone usage customers that are to be provisioned, billed and collected by QAI and, subject to Section 2(d) and Section 3(b)(ii) of the Agreement, provided with customer service by Marketer.

EXHIBIT B TO INDEPENDENT MARKETING AGREEMENT:

[FORM OF]

**QUARTERLY REPORT OF LOTEL, INC. ("Marketer")
FOR THE CALENDAR QUARTER ENDING _____**

Marketer represents to QAI, Inc. ("QAI") that the attachment hereto contains a true and correct list of the names and addresses of entities to whom or to which Marketer or any agent or sub-contractor of Marketer ("Sub-Contractor") has sold telecommunications products or services of any kind, aside from QAI Products (each such entity, a "non-QAI customer"), in this calendar quarter.

For each non-QAI customer, the attachment hereto contains a true and correct list of (1) the name and address of the entity or entities who or which provisioned that non-QAI customer, (2) the long distance carrier serving as the underlying provider of the products, (3) the type of product offered to that non-QAI customer, including the rates and fees offered to that non-QAI customer, (4) the compensation payable to Marketer in respect thereof, and (5) any specific services which Marketer or Sub-Contractor is obligated to provide to that non-QAI customer.

"MARKETER"

Lotel, Inc.

By: Its: 

Attachment.

OA982430 063/8

EXHIBIT D

Page 15 of 2001 499-A Instructions

C Block 3 and Block 4: Contributor Revenue Information

Lines (301-302; 401-402) -- copy the Filer 499 ID from Line (101) into Lines (301) and (401). Copy the legal name of the reporting entity from Line (102) into Lines (302) and (402).

Lines (303-314; 403-420) contain detailed revenue data.

1. Separating revenue from other contributors to the federal universal service support mechanisms (block 3) from end-user and non-telecommunications revenue (block 4) information (carrier's carrier vs end-user)

In the Telecommunications Reporting Worksheet, filers must report revenues using two broad categories: (1) Revenues from other contributors to the federal universal service support mechanisms; and, (2) Revenues from all other sources. Taken together, these revenues should include all revenues billed to customers and should include all revenues on the reporting entities' books of account.

For the purposes of this worksheet, revenues from other contributors to the federal universal service support mechanisms are revenues from services provided by underlying carriers to other carriers for resale and are referred to herein as "carrier's carrier revenues" or "revenues from resellers." Revenues from all other sources consist primarily of revenues from services provided to end users, referred to here as "end-user revenues." This category includes non-telecommunications revenues.

For the purpose of completing Block 3, a "reseller" is a telecommunications carrier or telecommunications provider that: 1) incorporates purchased telecommunications services into its own offerings; and 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings

Each contributor should have documented procedures to ensure that it reports as "revenues from resellers" only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include but not be limited to maintaining the following information on resellers: legal name; address; name of a contact person; and phone number of the contact person. If the underlying contributor does not have independent reason to know that the entity will, in fact, resell service and contribute to the federal universal service support mechanisms, then the underlying carrier should either obtain a signed statement to that effect or report those revenues as end user revenues.

Note: For the purposes of filling out this worksheet -- and for calculating contributions to the universal service support mechanisms -- certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that meet the *de minimis* universal service threshold, should not be treated as resellers for the purpose of reporting revenues in Block 3. That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal service purposes) in Lines (403-417) of Block 4 of the Telecommunications Reporting Worksheet, as appropriate. Underlying carriers must contribute to the universal service support mechanisms on the basis of such revenues. In Block 5, Line 511, however, filers may elect to report the amounts of such revenues (*i.e.*, those revenues from exempt entities that are reported as end-user revenues) so that these revenues may be excluded for purposes of calculating contributions to TRS, LNPA, and NANPA.

FCC Form 499-S, July 2000

Approved by OMB 3060-0855

Estimated Average Burden Hours Per Response 5.5 Hours

Telecommunications Reporting Worksheet, FCC Form 499-S

Instructions for Completing the September Worksheet for Filing Contributions to the Universal Service Support Mechanisms

* * * * *

NOTICE TO INDIVIDUALS: Sections 54.703, 54.711, and 54.713 of the Federal Communications Commission's rules require all telecommunications carriers providing interstate telecommunications services, providers of interstate telecommunications that offer interstate telecommunications for a fee on a non-common carrier basis, and payphone providers that are aggregators to contribute to universal service and file this Telecommunications Reporting Worksheet (FCC Form 499-S) on September 1, each year. 47 C.F.R. §§ 54.703, 54.711, 54.713. This collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended, 47 U.S.C. § 254. The data in the Worksheet will be used to calculate contributions to the universal service support mechanisms. Selected information provided in the Worksheet will be made available to the public in a manner consistent with the Commission's rules.

We have estimated that each response to this collection of information will take, on average, 6 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this estimate or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PFRM, Washington, D.C. 20554, Paperwork Reduction Project (3060-0855). We also will accept your comments via the Internet if you send them to jboley@fcc.gov. Please DO NOT SEND COMPLETED WORKSHEETS TO THIS ADDRESS.

Remember -- You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control number. This collection has been assigned an OMB control number of 3060-0855.

The Commission is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information that you provide to determine contribution amounts. If we believe there may be a violation or potential violation of a statute or a Commission regulation, rule, or order, your Worksheet may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation, or order. In certain cases, the information in your Worksheet may be disclosed to the Department of Justice, court, or other adjudicative body when (a) the Commission, or (b) any employee of the Commission, or (c) the United States government, is a party to a proceeding before the body or has an interest in the proceeding.

If you owe a past due debt to the federal government, the taxpayer identification number (such as your

For the purpose of completing Block 3, a reseller is a telecommunications carrier or telecommunications service provider that 1) incorporates purchased telecommunications services into its own offerings, and 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings

Note For the purposes of filling out this worksheet -- and for calculating contributions to the universal service support mechanisms -- certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that fall below the *de minimis* universal service threshold, should be treated as end users for the purpose of reporting revenues in Block 3. That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal service purposes) on Line (116). Underlying carriers must contribute to the universal service support mechanisms on the basis of this revenue.

Each contributor should have documented procedures to ensure that it reports as revenues from resellers only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include but not be limited to maintaining the following information on resellers: legal name, address, name of a contact person, and phone number of the contact person. If the underlying contributor does not have independent reason to know that the entity will, in fact, resell service and contribute to the federal universal service support mechanisms, then the underlying carrier should either obtain a signed statement to that effect or report those revenues as end user revenues.

2 Column (a) - total revenue

The reporting entity must report gross revenues from all sources, including nonregulated and non-telecommunications services on Lines (115) through (117) and these must add to total gross revenue as reported on Line (118). Gross revenues should include revenues derived from the provision of interstate, international, and intrastate telecommunications and non-telecommunications services. Gross revenues consist of total revenues billed to customers during the filing period with no allowances for uncollectibles, settlements, or out-of-period adjustments. Gross billed revenues may be distinct from booked revenues. NECA pool companies should report the actual gross billed revenues (CABS Revenues) reported to the NECA pool and not settlement revenues received from the pool.

Where two contributors have merged prior to filing, the successor company should report total revenues for the reporting period for all predecessor operations. The two contributors, however, should continue to report separately if each maintains separate corporate identities and continues to operate.

Gross revenues also should include any surcharges on communications services that are billed to the customer and either retained by the contributor or remitted to a non-government third party under contract. Gross revenues should exclude taxes and any surcharges that are not recorded on the company books as revenues but which instead are remitted to government bodies. Note that any charge included on an end user bill and represented to recover or collect contributions to federal or state universal service support mechanisms must be reported as end user revenue.

FCC Form 499, February 2000

Approved by OMB 3060-0855

Estimated Average Burden Hours Per Response 8 Hours

Telecommunications Reporting Worksheet, FCC Form 499-A

Instructions for Completing the Worksheet for Filing Contributions to Telecommunications Relay Service, Universal Service, Number Administration, and Local Number Portability Support Mechanisms

* * * * *

NOTICE TO INDIVIDUALS Sections 54.703, 54.711, and 54.713 of the Federal Communications Commission's rules require all telecommunications carriers providing interstate telecommunications services, providers of interstate telecommunications that offer interstate telecommunications for a fee on a non-common carrier basis, and payphone providers that are aggregators to contribute to universal service and file this Telecommunications Reporting Worksheet (FCC Form 499) twice a year. 47 C.F.R. §§ 54.703, 54.711, 54.713. Section 52.17 provides that all telecommunications carriers in the United States shall contribute on a competitively neutral basis to meet the costs of establishing numbering administration, and directs that contributions shall be calculated and filed in accordance with this worksheet. 47 C.F.R. § 52.17.

Section 52.32 provides that the local number portability administrators shall recover the shared costs of long-term number portability from all telecommunications carriers. 47 C.F.R. § 52.32. Section 64.604 requires that every carrier providing interstate telecommunications services shall contribute to the Telecommunications Relay Services (TRS) Fund on the basis of its relative share of interstate end-user telecommunications revenues, with the calculation based on information provided in this worksheet. 47 C.F.R. § 64.604(c)(1)(4).

This collection of information stems from the Commission's authority under Sections 225, 251, and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 225, 251, and 254. The data in the Worksheet will be used to calculate contributions to the universal service support mechanisms, the telecommunications relay services support mechanism, the cost recovery mechanism for numbering administration, and the cost recovery mechanism for shared costs of long-term number portability. Selected information provided in the Worksheet will be made available to the public in a manner consistent with the Commission's rules.

We have estimated that each response to this collection of information will take, on average, 8 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this estimate, or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERF, Washington, D.C. 20554, Paperwork Reduction Project (3060-0855). We also will accept your comments via the Internet if you send them to jboley@fcc.gov. Please **DO NOT SEND COMPLETED WORKSHEETS TO THIS ADDRESS**.

Remember -- You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control number. This collection has been assigned an OMB control number of 3060-0855.

Chief, Market Disputes Resolution Division
Enforcement Bureau
Rm 5-A865
445 12th Street, S W
Washington, D C 20554

C Block 3 and Block 4 Contributor Revenue Information

Lines (301 – 302, 401–402) - Copy the File# 499 ID from Line (101) into Lines (301) and (401). Copy the legal name of the reporting entity from Line (102) into Lines (302) and (402)

Lines (303 –314, 403 – 420) contain detailed revenue data

I Separating Revenue from Other Contributors to the Federal Universal Service Support Mechanisms (Block 3) from End-User and Non-Telecommunications Revenue (Block 4) Information (carrier's carrier vs end-user)

In the Telecommunications Reporting Worksheet, filers must report revenue from two broad types of categories: (1) Revenue from other contributors to the federal universal service support mechanisms, and, (2) Revenue from all other sources. For the purposes of this worksheet revenue from other contributors to the federal universal service support mechanisms is primarily revenue from services provided by underlying carriers to other carriers for resale, referred to here as "carrier's carrier revenue" or "revenue from resellers."

Revenue from all other sources consists primarily of revenue provided to end users, referred to here as "end user revenue."

For the purpose of completing Block 3, a reseller is a telecommunications carrier or telecommunications service provider that: 1) incorporates purchased telecommunications services into its own offerings, and, 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings.

Note: For the purposes of filling out this worksheet -- and for calculating contributions to the universal service support mechanisms -- certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that meet the *de minimis* universal service threshold, should not be treated as resellers for the purpose of reporting revenues in Block 3. That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal service purposes) in Lines (403–417) in Block 4 of the Telecommunications Reporting Worksheet, as appropriate. Underlying carriers must contribute to the universal service support mechanisms on the basis of this revenue. In Block 5, Line 511, however, filers may elect to report the amount of revenue from these exempt entities, including *de minimis* carriers, that was reported as end-user revenue, so that these revenues may be excluded for purposes of TRS, LNPA, and NANPA.

Each contributor should have documented procedures to ensure that it reports as revenues from resellers only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include but not be limited to maintaining the following information on resellers: legal name, address, name of a contact person, and phone number of the contact person. If the underlying contributor does not have independent reason to know that the entity will, in fact, resell service and contribute to the federal universal service support mechanisms, then the underlying carrier should either obtain a signed statement to that effect or report those revenues as end user revenues.



EXHIBIT E

QAI Correspondence of August, 2000

Apr 04 01 01:49p

Sarah Oistad

6124702023

p. 4



7700 Irvine Center Drive
Suite 405
Irvine, California 92618
949.453.3313 • Fax. 949.453.3321

August 21, 2000

Lotel, Inc.
8120 Penn Avenue South
Suite 159
Bloomington, MN 55431
Arthur Leon Oistad

Re: Universal Service Worksheets due September 1, 2000

Dear Mr. Oistad:

Enclosed are three copies of the Universal Service Worksheets. These worksheets will be used by the Universal Service Administration to calculate the Universal Service assessments for the period of January through June 2000. The forms are due on September 1. Please sign all three of the worksheets in block 120 on the form and mail one copy to the following address:

Form 499 Data Collection Agent
Anne Leon Terraciano
80 South Jefferson Road
Whippany, NJ 07981

Return one copy to me at our Irvine address

QAI, Inc.
7700 Irvine Center Drive
Suite 605
Irvine, CA 92618
Attn: Gloria Hansen

The third copy is for your records

Since we are collecting the USF revenue, we will continue to pay the USF bills. If you have any questions, please call me at (949) 453-3313, extension 408, or fax me at (949) 453-3321. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Gloria Hansen".

Gloria Hansen
Staff Accountant

EXHIBIT F

QAI Correspondence of March 26, 2001



7700 Irvine Center Drive
Suite 605
Irvine, California 92618
949.453.3313 - Fax 949.453.3321

March 26, 2001

BY OVERNIGHT DELIVERY

Leon Orstad
Lotel, Inc
4946 Devonshire Circle
Excelsior, MN 55331

Re Universal Service Fund Exemption Certificate

Dear Mr. Orstad,

As you know, telecommunications carriers providing domestic interstate interexchange services such as Lotel, Inc. ("Lotel") are required to contribute, pursuant to Section 254 of the Communications Act (47 U.S.C. § 254) and implementing regulations, rules and orders adopted by the Federal Communications Commission ("FCC"), to the Universal Service Fund ("USF") support mechanisms. Such carriers are obligated to report both end-user derived revenue and revenue earned from sales to other carriers ("carrier's carrier revenue").

Like Lotel, QAI, Inc. ("QAI") is under an obligation to provide break-out revenue data for end-user revenue and carrier's carrier revenue. In order to properly categorize revenue derived from Lotel as carrier's carrier revenue, QAI requires that an officer of Lotel properly execute the enclosed Universal Connectivity Charge Exemption Certification ("Certification") and return it to QAI's agent listed at the bottom of the form as soon as possible.

It is important that Lotel promptly execute and return the Certification for several reasons. First, without the Certification, QAI will be forced to include revenue derived from Lotel as *end-user* revenue. What this means for Lotel is that QAI will be obligated to bill Lotel for USF surcharges on all of Lotel's domestic interstate and international usage. Second, the Telecommunications Reporting Worksheets (FCC Forms 499-A and 499-Q) require that Lotel execute such a document (see Page 15 of the Instructions to FCC Form 499-A). Thus, if Lotel does not provide this form to QAI it will be in violation of its FCC filing obligations.

Please execute and return the enclosed Certification to QAI's agent by **April 9, 2001**. If QAI does not receive the Certification by that date, it will have no choice but to list revenue derived from Lotel as end-user revenue on its FCC Form 499-A (due April 1, 2001) and begin assessing USF surcharges upon Lotel's domestic interstate and international telecommunications usage. As a further reminder, please note that Lotel must independently file its own upcoming FCC Form 499-A and all subsequent Telecommunications Reporting Worksheets thereafter.

If you have any questions, please direct them in writing to CEO, QAI, Inc., 7700 Irvine Center Drive, Suite 605, Irvine, CA 92618 (Facsimile (949) 453-3321) with a copy to C. Jeffrey Tibbels, Esq., Law Offices of Thomas K. Crowe, P.C., 2300 M Street, N.W., Suite 800, Washington, DC 20037 (Facsimile: (202) 973-2891).

Sincerely,

Christine Cotton
Chief Financial Officer

Enclosure

Complete this form if you believe your company is exempt from being charged Universal Service Fund ("USF") payments by QAI, Inc. ("QAI").

QAI, INC.
UNIVERSAL CONNECTIVITY CHARGE EXEMPTION CERTIFICATION

Customer Name: _____
("Customer")

Customer Address _____

Customer hereby requests an exemption from payment of any charges assessed by QAI due to contribution to the USF regime established by the *Universal Service Order* issued by the Federal Communications Commission ("FCC"). Customer is required to contribute, pursuant to Section 254 of the Communications Act (47 U.S.C. § 254) and implementing regulations, rules and orders, to the universal service support mechanisms. Customer represents and certifies as follows:

1. That Customer is either a telecommunications carrier that provides interstate telecommunications service to the public for a fee on a common carrier basis, or a private service provider that offers interstate telecommunications service to others for a fee on a non-common carrier basis.
2. That Customer is acquiring services from QAI for resale to end-user customers, i.e., not for its own internal use.
3. That Customer has filed its Telecommunications Regulatory Worksheet (FCC Form 499-S) with the Universal Service Administrator for the period of January 2000 - June 2000 (a copy of which is attached to this Certification, with confidential information redacted), and will continue to file such Worksheets or other forms or documentation as required by the FCC from time to time. By virtue of such filing, Customer has qualified and will continue to qualify as an entity not subject to QAI's USF-related charges.
4. That Customer acknowledges that QAI's determination of exemption will be based upon the information provided by Customer in this Certification. In the event QAI exempts Customer from the payment of these QAI USF-related charges (in whole or in part) based upon the information, representations and certifications contained in this Certification, and QAI thereafter determines that the exemption was granted upon Customer's false, inaccurate or erroneous information, then QAI may bill Customer for the USF charges that were not billed as the result of the exemption. Accordingly, if Customer does not provide accurate or timely information to QAI, Customer may be responsible for payment to both QAI and to the Universal Service Administrator for its contribution to universal service support mechanisms.
5. That the individual named below is an officer of Customer and is duly authorized by Customer to make the representations and certifications contained herein on behalf of Customer.

CUSTOMER:

By _____
Name _____
Title _____
Date _____

(Please return completed and executed Certification to QAI's agent, QAI, Inc., c/o Law Offices of Thomas K. Crowe, P.C., 2300 M Street, NW, Suite 800, Washington, DC 20037.)

Exhibit G

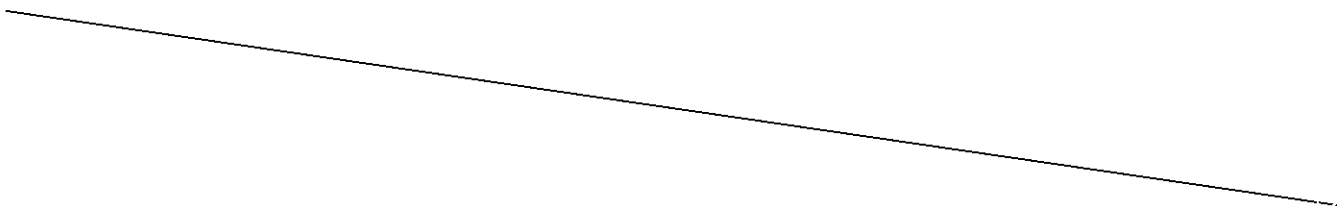


EXHIBIT G

Reply to QAI Correspondence of March 26, 2001

PERRY, PERRY & PERRY

STEWART R. PERRY
SHAWN M. PERRY
SHANE C. PERRY

ATTORNEYS AT LAW
SUITE 270, PARKDALE I
5401 GAMBLE DRIVE
MINNEAPOLIS, MINNESOTA 55416
TELEPHONE: (952) 546-3555
FACSIMILE: (952) 546-3855
E-MAIL: shawnperry@perryperryperry.com

LEGAL ASSISTANT
JEROME L. JAYNES

WRITER'S DIRECT DIAL NO.
(952) 546-3845

April 6, 2001

VIA FACSIMILE AND MAIL

Jeffrey W. Ogren, Esq.
Bochetto & Lentz, PC
1524 Locust Street
Philadelphia, PA 19102

Re Inmark, Inc
Protel Advantage, Inc.
LoTel, Inc

Dear Mr. Ogren:

We have conducted an investigation and consulted my Client's regulatory counsel regarding the USF issue that you and I have been discussing this week.

On March 26, 2001 Christine Cotton sent a letter to my Clients stating that they had to sign a Universal Connectivity Charge Exemption Certification attached to her letter. Regulatory counsel has advised that this is an attempt to improperly shift the obligation to submit FCC Forms 499S and 499A to the USAC and to pay the associated obligations from QAI to my Clients. (See, e.g., Instructions for FCC Form 499A.) Accordingly, my Clients have been advised by regulatory counsel to decline the invitation to sign the Certifications.

After consulting with USAC and regulatory counsel, it is clear that the USAC Statement of Account sent to LoTel¹ in care of QAI dated March 21, 2001 is for obligations arising from the FCC Form 499S for the period January 1, 2000 to June 30, 2000. The report was prepared for LoTel by QAI. Since QAI passed through the anticipated cost of the USF obligation to the end-user customers and collected the proceeds from the customers for the year 2000, it is obligated to pay the USF obligations billed in 2001. Likewise, for any customers QAI continues to bill, it is obligated to report and pay the USF obligation.

¹Inmark and Protel have not received similar letters from Ms. Cotton or invoices from USAC.

April 6, 2001

Page 2

QAI's responsibility to report and pay should be no surprise because QAI has previously acknowledged its responsibility in a letter dated August 21, 2000. In referring to its obligation to pay USF billings arising from the 499S filed in September 2000 QAI stated: "Since we [QAI] are collecting the USF revenue, we will continue to pay the USF bills." This admission together with other legal equitable principles makes it clear that QAI is responsible for the payment and reporting for the periods in which it billed and/or collected revenue from the customers

As stated in my April 4 and 5, 2001 letters to you, on behalf of all of my Clients, we expect that QAI will do the following:

1. File FCC Form 499A for January 1, 2000 through the date QAI stopped collecting revenue from customers transferred to my Clients in mid-December 2000.
2. File FCC Form 499A (due on April 2, 2001) for any end-user customers billed under the Inmark, Protel and LoTel brands for customers that were not transferred to Northstar, continue to file future reports and make future payments for such customers.
3. Pay all USAC invoices that are attributable to the FCC Forms 499S filed in September 2000.
4. Pay all USAC invoices that are attributable to the filing of FCC Forms 499A that were due on April 2, 2001.
5. File all reports and pay all obligations for the TRS, LNP and NANP to the extent they are not covered by items 1-4 above for the periods in which QAI was and is billing the customers.

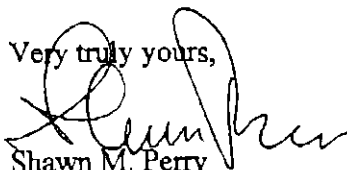
My Clients will file reports and pay the obligations from the time they began billing the customers.

I will be on vacation next week. If there are any issues that arise related to this letter when I am on vacation, you may contact Patrick Crocker, Regulatory Counsel for my Clients at the following address and telephone number.

Early Lennon Crocker & Bartosiewicz
151 South Rose Street
Suite 900
Kalamazoo, MI 49007
(616) 381-8844

As requested in my letters of April 4 and 5, 2001, please confirm that QAI will make the forgoing payments and regulatory filings.

Very truly yours,



Shawn M. Perry

SMP/ma

Encl.

cc: Jeffrey Tibbets, Esq. (via facsimile 202-973-2891)
Patrick Crocker, Esq. (via facsimile 616-349-8525)
Clients

PS. After this letter was prepared, but before it was faxed we spoke and you faxed me the revenue data this afternoon. I want to make it clear that our final position is set forth in this letter.



